

a2 ■ REDUCING THE COST OF EDUCATION

Lower-cost schools

Work or volunteer opportunities

Tax breaks

Hope tax credit or Lifetime
Learning tax credit

Lower-cost schools

If you'll be working toward a bachelor's degree, you might consider starting at a two-year community college and then transferring to a four-year school. Community colleges are usually less expensive than four-year schools. (Some four-year schools that are partially funded by local or state taxes can be less expensive as well.) Because attending a community college allows you to live at home, you can save money on room and board.

If you decide to start at a community college, make sure your community college courses will transfer to your four-year college and that they will count toward your bachelor's degree. Discuss any concerns you have about transfer courses and credits with the college registrar.

Work or volunteer opportunities

You can work part-time to pay part of your costs. Be sure your work and school schedules don't conflict and that you save enough time for studying.

Tax breaks

Certain borrowers can take a tax deduction for the interest actually paid on student loans. This benefit applies to all loans used to pay for postsecondary education school expenses. The maximum deduction is \$2,500 a year.

Hope tax credit or Lifetime Learning tax credit

You or your parents might also qualify for one or both of these tax credits. See page 15 for additional information about tax credits, deductions and the Internal Revenue Service.

a3 ■ FIRST THINGS FIRST: AM I ELIGIBLE?

Basic Requirements

Financial Need

Educational Requirements

Legal and Other Requirements

"Match" Requirements

Financial Need and Expected Family
Contribution (EFC)

I think I have some special circumstances in my family. Are these considered in determining my financial needs?

Basic Requirements

To receive aid from the federal student aid programs discussed in this guide, you must meet certain criteria:

Financial Need

Except for some loan programs, you must show you have financial need, according to our requirements. See "Financial Need and Expected Family Contribution* (EFC)" on page 4.

Educational Requirements

- You must demonstrate by one of the following means that you are qualified to enroll in postsecondary education:
 - Have a high school diploma or a **General Education Development (GED) Certificate**.*
 - Pass an approved **ability-to-benefit* (ATB)** test. If you don't have a diploma or GED, you can take an approved ATB test to determine whether you can benefit from the education offered at that school.
 - Meet other standards your state established and that we have approved.
 - Complete a high school education in a home school setting approved under state law.
- You must be enrolled or accepted for enrollment as a **regular student*** working toward a degree or certificate in an **eligible program**.*

- You must meet **satisfactory academic progress*** standards set by the postsecondary school you are or will be attending.

You may not receive aid for correspondence or telecommunications courses *unless* they are part of an associate's, bachelor's or graduate degree program.

Legal and Other Requirements

- You must be a **U.S. citizen** or **eligible noncitizen**.*
- You must have a valid Social Security number (SSN) (unless you're from the Republic of the Marshall Islands, the Federated States of Micronesia or the Republic of Palau). If you need a SSN, you can find out more about applying for one at www.ssa.gov or by calling **1-800-772-1213**. **TTY users can call 1-800-325-0778**.
- You must certify that you will use federal student aid only for educational purposes. You must also certify that you are not in **default*** on a federal student loan and do not owe money on a federal student grant (which could happen if you withdraw from school, for example). You certify these items when you apply for federal student aid and sign a **promissory note*** to obtain these funds.
- You must comply with **Selective Service registration**.* If you're a male, aged 18 through 25 and you have not registered, you can, at the same time you complete your FAFSA, give the Selective Service System permission to register you by means of the FAFSA. You can also register online at www.sss.gov or call **1-847-688-6888**. **TTY users can call 1-847-688-2567**.

DRUG CONVICTION?

You must answer Question 31 on the FAFSA, "Have you ever been convicted of possessing or selling illegal drugs?" If you leave it blank, you automatically become ineligible for federal student aid.

- You may be eligible to receive federal student aid if you have been convicted under federal or state law of selling or possessing illegal drugs. For information or to find out about your status, call **1-800-4-FED-AID (1-800-433-3243)** or go to www.fafsa.ed.gov, click on "Worksheets" in the left column, then select "Drug Worksheet."

Even if you're ineligible for federal student aid because of a drug conviction, you should still complete the FAFSA because most schools and states use FAFSA information to award nonfederal aid.

- You have limited eligibility for federal student aid while you're incarcerated. Generally, you're eligible only for a Pell Grant and then only if you're **NOT** incarcerated in a federal or state penal institution.

"Match" Requirements

When you apply for student financial aid from federal student aid programs, we verify some of your information with certain federal agencies, including the Social Security Administration (for verification of Social Security numbers and U.S. citizenship status). If the information doesn't match, the discrepancy must be resolved before you can receive federal student aid. We also check your records against our database, the **National Student Loan Data System (NSLDS)***, to verify that you don't have a defaulted federal student loan, haven't received an overpayment on a federal grant or a Federal Perkins Loan and haven't borrowed more than the total limit allowed.

Financial Need and Expected Family Contribution (EFC)

Aid for most of our programs is awarded based on financial need (except for **unsubsidized Stafford Loans** and **PLUS Loans**).

DETERMINING YOUR FINANCIAL NEED

We use an **Expected Family Contribution*** (EFC) number to determine your financial need:

Cost of Attendance*

- Expected Family Contribution (EFC)

= Financial Need

DID YOU KNOW ...

Federal Student Aid issued \$74 billion in new loans in 2004 (plus another \$32 billion in consolidation loans). Ten million students in 6,200 postsecondary institutions received these loans.